

Message Text

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FM AMEMBASSY ALGIERS

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INFO AMEMBASSY DAKAR

AMEMBASSY CARACAS

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

S E C R E T ALGIERS 0384

E.O. 11652: GDS

TAGS: ENRG, EGEN, AG

SUBJ: OIL PRICES: ALGERIAN SUSPICIONS AND THIRD WORLD
SOLIDARITY

SUMMARY: ALGERIANS APPARENTLY CONVINCED USG SEEKING CONFRONTATION
ON OIL PRICE ISSUE, AND MINISTER INDUSTRY AND ENERGY
CLAIMS ALGERIA WILL BE FIRST VICTIM OUR POLICIES.
FOR THEIR PART ALGERIANS ORGANIZING THIRD WORLD TO
CONFRONT US ON WIDER ISSUES OF COMMODITY PRICES AND
INDEXATION.

1. RECENT VISIT OF SENATOR MCCLURE HAS PROVIDED US WITH
DIRECT, HIGH LEVEL ALGERIAN COMMENT ON RECENT USG
PROPOSALS TO INTERNATIONAL ENERGY AGENCY. THOSE COMMENTS

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REVEAL CONCERN REGARDING OUR INTENTIONS WHICH MAY SOUND

PARANOID TO US BUT IS NEVERTHELESS GENUINE. CONCERN EXPRESSED IN RELATIVELY MILD FASHION BY BOUMEDIENE, WHO ASKED SENATORY WHY SECRETARY MAKING THREATS AND PROFESSED TO SEE LATTER'S PRESS CLUB REMARKS AS REJECTION OF DIALOGUE WITH OPEC AND LDC'S.

2. REAL EXPRESSION OF CONCERN, HOWEVER, CAME FROM MINISTER OF INDUSTRY AND ENERGY ABDESSELAM, WHO RECEIVED SENATOR ON SHORT NOTICE SATURDAY NIGHT. BURDEN HIS REMARKS WAS THAT STATEMENTS BY SECRETARY AND ENDERS, AND NEWS EMANATING FROM IEA MEETING PARIS, GAVE IMPRESSION US ORGANIZING CONFRONTATION ON OIL PRICE QUESTION. USG ATTEMPTING DRAGOON OTHER INDUSTRIALIZED STATES INTO CONCERTED EFFORT FORCE DOWN OIL PRICES BY LIMITING IMPORTS. PRIMARY TARGET THIS CAMPAIGN, INTENTIONALLY OR OTHERWISE, WOULD BE ALGERIA. OTHER OPEC COUNTRIES HAVE SURPLUS INCOME AND COULD AFFORD CUTBACK IN SALES. ALGERIA COULD NOT. ALL ITS INCOME WAS OBLIGATED FOR DEVELOPMENT AND ALGERIANS NEEDED TO MAINTAIN ACCELERATED RHYTHM OF CURRENT FOUR YEAR PLAN. ALGERIANS WOULD NOT GIVE IN TO OUR PRESSURES, HOWEVER, AND WOULD CUT BACK PRODUCTION AND REVISE DEVELOPMENT PLANS DOWNWARD RATHER THAN LOWER PRICES. THEY WOULD TELL ALGERIAN PEOPLE WHY THEY HAD DONE SO, AND EVERYONE WOULD BLAME AMERICANS. PRESIDENT BOUMEDIENE OFTEN SAID THERE WERE NO BILATERAL PROBLEMS BETWEEN US, BUT WE WERE ABOUT TO HAVE ONE, AND ALGERIANS REGRETTED IT VERY MUCH.

3. SENATOR MCCLURE NOTED THAT IT IMPORTANT FOR ALL OF US TO SAVE A DWINDLING ENERGY SOURCE AND THAT OTHER OPEC MEMBERS SUCH AS IRAN, VENEZUELA AND NIGERIA WOULD ALSO BE AFFECTED BY REDUCTION OF IMPORTS. ABDESSELAM SAID IRAN WOULD BE DEFICIT COUNTRY IN THREE OR FOUR YEARS BUT COULD PREVENT IT BY CUTTING BACK ON ENORMOUS ARMS PURCHASES AND ON AID PROGRAM FOR LDC'S. ALGERIA HAD NO ARMS PURCHASES TO SPEAK OF. EVERYTHING WENT FOR DEVELOPMENT. VENEZUELA HAD MUCH MORE MONEY AND A SMALLER POPULATION THAN ALGERIA. IT COULD ALSO CUT BACK ON ITS AID PROGRAM AND LDC'S WOULD KNOW WHOM
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TO BLAME. NIGERIA HAD AGRICULTURAL PRODUCTS IT COULD SELL. ALGERIA WAS GOING TO BE THE VICTIM, NO QUESTION ABOUT IT.

4. I ASKED WHAT HE THOUGHT OF OUR PROPOSAL FOR A FLOOR PRICE: HE SAID THAT WAS ESSENTIALLY AN INTERNAL MEASURE TO MAKE DEVELOPMENT OF OTHER ENERGY SOURCES ECONOMIC, IT WAS NOT OF INTEREST TO ALGERIA. THE ALGERIANS FOR

THEIR PART WERE PREPARING TO PRESENT PROPOSAL FOR AGREED, STABLE PRICE, TO BE TIED GRADUALLY TO A COMMODITY INDEX, BUT THAT WOULD COME LATER. IN THE MEAN-TIME, IF THE US DID NOT SHOW MORE INTEREST IN MEANINGFUL DIALOGUE, INCLUDING OTHER COMMODITIES AS WELL AS OIL, RESULT WOULD BE TRAGIC CONFRONTATION. I NOTED THAT UNDER SECRETARY ROBINSON WOULD BE COMING HERE FEB 21 TO DISCUSS THESE PROBLEMS. ABDESSELAM SAID UNFORTUNATELY HE WOULD PROBABLY BE IN VIENNA FOR OPEC PREPARATORY MEETING AT THAT TIME.

5. COMMENT: WHILE ABDESSELAM SAID ALGERIANS REJECTED POLICY OF DESPAIR, HE SEEMED BE PRETTY DOWN IN MOUTH. HIS ATTITUDE PRESUMABLY REFLECTS: (1) CURRENT ALGERIAN WORRIES ABOUT FINANCING OVERLY AMBITIOUS DEVELOPMENT EFFORT. IT SEEMED SO EASY WITH DOLLARS 14 A BARREL OIL LAST YEAR, BUT COST INCREASES IN MANUFACTURED ITEMS AND DROP IN ALGERIAN OIL PRICES TO DOLLARS 12 HAVE ALREADY THROWN ALGERIAN CALCULATIONS OFF THE MARK. FURTHER REDUCTION IN REVENUE WOULD FORCE CUTBACKS IN DEVELOPMENT. THIS GREAT BLOW TO ABDESSELAM PERSONALLY AND HE MAY BE WORRIED ABOUT CRITICISM IF HE HAS TO SLOW DOWN PACE OF INDUSTRIALIZATION. (2) FEARS THAT, CONTRARY TO OPEC EXPECTATIONS, WE WILL IN FACT SUCCEED IN ORGANIZING MAJOR CONSUMERS TO PUSH PRICES DOWN. DISCUSSION WITH BENHABYLES AND ABERKANE OF MFA, PLUS LOCAL PRESS COMMENTS, CONVINCED ME ABDESSELAM IS SAYING WHAT IS REALLY ON ALGERIAN MINDS. THEY SEEM SINCERELY TO BELIEVE OUR ATTITUDE IS THREATENING.

6. IN MEANTIME ALGERIANS APPEAR TO BE HAVING CONSIDER-ABLE SUCCESS AT DAKAR COMMODITY CONFERENCE, IN UNIDO AND AT OPEC MEETINGS IN ORGANIZING LDC'S TO PRESS FOR REORDERING OF WORLD'S ECONOMY AND FOR SO- CALLED TRIPARTITE COMMODITY
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CONFERENCE, I.E., FOR CONFERENCE BETWEEN INDUSTRIALIZED COUNTRIES ON ONE HAND AND OPEC AND LDC'S ON OTHER, WITH ECONOMIC DEVELOPMENT AND A RANGE OF PRIMARY COMMODITIES, INCLUDING OIL, TO BE DISCUSSED, NOT JUST OIL ALONE.

7. WE SUSPECT ALGERIANS WILL CONTINUE PUSH THIS CAMPAIGN ACTIVELY WHATEVER WE DO ABOUT OIL PRICES OR CONSUMER-PRODUCER DIALOGUE. WE HERE UNABLE JUDGE HOW EAGER OTHER LDC'S WILL BE TO FOLLOW THEIR LEAD, BUT IMPRESSED WITH ALGERIAN SUCCESSES TO DATE. DEALING WITH ALGERIANS IN THESE CIRCUMSTANCES IS NOT GOING TO BE EASY. THEY IN WHEN-WILL-YOU-STOP-BEATING-YOUR-WIFE MOOD AS FAR AS WE CONCERNED. FOR PRESENT, WOULD APPRECIATE CLARIFICATION AS TO OUR POSITION ON CONSUMERS-PRODUCERS CONFERENCE. WHAT SUBJECTS

ARE WE PREPARED DISCUSS AND WITH WHOM? COULD WE HAVE
POSITION PAPER FOR GENEVA UNCTAD CONFERENCE ON COMMODITIES?

8. WE ALSO HOPE PUBLIC SPECULATION IN WASHINGTON ABOUT
USE OF FORCE WILL DIE DOWN. IT HAS CONVINCED ALGERIANS
WE ARE PLAYING BULLYING ROLE, AND THEY REACTING AGAINST
IT. ARTICLES SUCH AS PURPORTED CONTINGENCY PLANS FOR
INVADING SAUDI ARABIA PUBLISHED IN FEB 10 TIME MAKE IT
DIFFICULT PERSUADE ALGERIANS THEY WRONG.PARKER

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